



DEPARTMENT OF THE ARMY
ASSISTANT SECRETARY OF THE ARMY
ACQUISITION, LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

NOV 14 2011

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MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Management of Should Cost Margins

1. References:

a. Memorandum, Office of the Secretary of Defense (OSD), (Acquisition, Technology and Logistics) (AT&L), 22 April, 2011, subject: Implementation of Will-Cost and Should-Cost Management.

b. Memorandum, Office of the Secretary of Defense (OSD), (Acquisition, Technology and Logistics) (AT&L), 3 November, 2010, subject: Implementation Directive for Better Buying Power-Obtaining Better Efficiency and Productivity in Defense Spending.

c. Memorandum, OSD(AT&L), 14 September, 2010, subject: Better Buying Power-Guidance for Obtaining Better Efficiency and Productivity in Defense Spending.

d. Memorandum, OSD(AT&L), 28 June, 2010, subject: Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending.

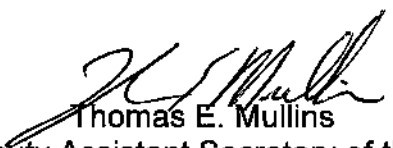
e. Memorandum, Office of the Assistant Secretary of the Army (OASA), (Acquisition, Logistics and Technology) (AL&T), 10 June 2011, subject: Army Implementation of Under Secretary of Defense (Acquisition, Logistics and Technology) (USD(AT&L)) Affordability Initiatives.

2. Process for withhold and release of the difference between the Will-cost and Should-cost estimate (margin):

a. With the exception of FY12, initial and updated Will-cost estimates and Should-cost estimates must be identified to the Army Deputy Assistant Secretary of the Army (DASA) Plans, Programs, and Resources (Performance Assessment and Root Cause Analyses (PARCA)) office at each Milestone Decision and/or annually by 30 August and be addressed in the annual program health/milestone briefings.

b. The Army strategy will allow Program Executive Officers (PEOs) to implement the margin withhold at their level. These margins cannot be expended without approval for release of funds by the Milestone Decision Authority (MDA) or Army Acquisition Executive (AAE).

- 1) All ACAT I programs will submit requests for the release of margin to the AAE, and ACAT II and III programs will submit requests for the release of margin to the MDA for approval. This request can be presented as part of the annual program review or at the time of need. The request should include data on the initiative and the status, to include why the release of funds is needed (why the initiative is not successful or not as successful as anticipated). (See attachment 1 for sample).
 - 2) The approved request will be sent to the PEO to coordinate the release of the appropriate funds.
- c. The PEO shall provide a monthly report through Army PARCA to DASA (Plans, Programs and Resources) on any reprogramming, moving or distribution of margin funds, by acquisition category and program, with a copy of the request(s). A consolidated monthly report will be sent by PARCA to ASA (ALT) showing all programs requesting use of margin dollars.
- d. If a Should Cost initiative is successful, the PEO/PM should follow normal funding change or reprogramming procedures to reutilize the cost savings.
3. Unless they had a waiver from the AAE, at the start of Fiscal Year 2012, ACAT I, special interest, and those programs where the MDA is the ASAALT, were required to identify their should cost initiatives and any margin dollars associated with the initiative to the DASA (PPR), PARCA office by 30 August 2011. The margin amounts will be withheld by the PEO from the distribution of FY12 funding. The PEO will ensure these funds remain available to the programs until formally notified the should cost initiatives have been achieved and the funds are available for reprogramming/redistribution.
 4. For Fiscal Year 2012, ACAT II programs will identify their should cost initiatives no later than 30 December 2011 and ACAT III programs will identify their should cost initiatives no later than 1 March 2012. PEOs will coordinate with the Program Managers on the withhold of any margins identified and report those margins to Army PARCA.
 5. Margins will not be withheld during a period of a Continuing Resolution. Any withhold of margin will be done at the time of the distribution according to the budget. In addition, if there is a Congressional Mark for a specific program the program will assess the impact of the Mark prior to any withhold of margin.


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(Plans, Programs and Resources)